

Message Text

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ACTION PM-05

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FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 5827
INFO CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 BANGKOK 19641

CINCPAC ALSO FOR POLAD

EO 11652: GDS
TAGS: MARR TH US
SUBJECT: RTG CONTRIBUTION TO JUSMAG

REF: STATE 151924

SUMMARY: DURING MEETING AUGUST 29 BETWEEN MISSION AND RTG NEGOTIATING TEAMS ON RTG CONTRIBUTION TO JUSMAG, RTG SIDE HELD OUT FOR TOTAL ELIMINATION OF CONTRIBUTED CURRENCY AND REITERATED READINESS TO CONTINUE AIK AND RETURN TRANSPORTATION (I.E. DRAWING ACCOUNT) AT PRESENT LEVELS. MISSION RECOMMENDS POSITION AUTHORIZED REFTEL BE INITIAL NEGOTIATING POSITION AND THAT WE BE AUTHORIZED TO ACCEPT RTG COUNTER-PROPOSAL, INCLUDING ELIMINATION OF THE CONTRIBUTED CURRENCY ELEMENT. END SUMMARY .

1. DESPITE INFORMAL INDICATION FROM MFA REPS ON RTG NEGOTIATING TEAM THAT REDUCTION OF CONTRIBUTED CURRENCY SEEMED ACCEPTABLE COMPROMISE TO THEIR ORIGINAL REQUEST, RTG SIDE DURING AUGUST 29 MEETING WITH MISSION REPS DECLINED TO BUDGE FROM ORIGINAL POSITION THAT CONTRIBUTED CURRENCY PORTION OF RTG SUPPORT FOR JUSMAGTHAI SHOULD BE CONFIDENTIAL

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COMPLETELY ELIMINATED, INCLUDING THE 6 MILLION BAHT OUTSTANDING FROM FY 76.

2. MISSION REP EXPLAINED THAT USG FELT, IN VIEW OF REDUCED LEVELS OF GRANT MILITARY ASSISTANCE AND JUSMAG STAFF, THAT A REDUCTION IN CONTRIBUTED CURRENCY WAS APPROPRIATE BUT THAT TOTAL ELIMINATION WAS NOT RPT NOT

JUSTIFIED, GIVEN THE CONTINUED COSTS OF OPERATING JUSMAGTHAI. WE NOTED THAT RTG CONTRIBUTIONS, INCLUDING CONTRIBUTED CURRENCY, AIK AND THE 7 MILLION BAHT DRAWING ACCOUNT, COVER ABOUT 54 PERCENT OF THOSE COSTS ELIGIBLE FOR OFFSET (I.E. US SALARIES, FOR EXAMPLE, ARE NOT ELIGIBLE). WE EXPLAINED THAT AIK REQUIREMENTS HAVE BEEN SCALED DOWN AS JUSMAG STAFF WAS REDUCED IN SIZE AND NOTED THAT, WHILE GRANT ASSISTANCE HAS BEEN REDUCED AND IS SCHEDULED TO TERMINATE AFTER FY 78, MAP FOR BOTH FY 76 AND 77 WAS AT A LEVEL OF DOLS 16 MILLION AND WOULD BE DOLS 8 MILLION IN FY 78. FINALLY , WE SAID THAT AT A TIME WHEN THE CONTINUED NEED FOR MILITARY ASSISTANCE GROUPS WAS BEING CLOSELY EXAMINED BY BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE USG, RTG SUPPORT TO OFFSET THE OPERATING COSTS OF JUSMAGTHAI WOULD BE SEEN AS AN INDICATOR OF RTG INTEREST IN MAINTAINING A MILITARY ASSISTANCE GROUP IN THAILAND.

3. RTG SIDE RESPONDED THAT JUSMAG IS NEEDED AND THAT THE RTG WANTS IT TO CONTINUE IN THAILAND BUT FELT USG DOES NOT RPT NOT APPRECIATE THE SEVERE BUDGETARY DIFFICULTIES FACED BY THE RTG. THESE BUDGETARY CONSIDERATIONS CONSTITUTE THE ONLY REASON FOR REQUESTING AN END TO CONTRIBUTED CURRENCY. THIS EXCHANGE OF VIEWS WAS CLOSED BY A REITERATION OF AN EARLIER RTG REQUEST FOR A DETAILED ACCOUNTING OF HOW THE CONTRIBUTED CURRENCY WAS SPENT FOR THE SUPPORT OF JUSMAG. IN RESPONSE, WE EXPLAINED THAT THE CONTRIBUTED CURRENCY

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WENT INTO A U.S . TREASURY BAHT ACCOUNT AND THAT IT WAS NOT POSSIBLE TO ITEMIZE THE MANNER IN WHICH IT WAS UTILIZED. IN GENERAL , IT BECOMES AVAILABLE FOR USG EXPENDITURES, WHICH INCLUDE JUSMAG OPERATIONAL EXPENSES.

4. RTG MILITARY REP APPEALED FOR UNDERSTANDING OF THAILAND'S SECURITY SITUATION WHICH DEMANDED INCREASED DEFENSE EXPENDITURES. HE WAS SUPPORTED BY MFA REP , WHO NOTED THAT THE 1960 REDUCTION IN CONTRIBUTED CURRENCY FROM 16 MILLION BAHT TO 8 MILLION BAHT WAS ACCOMPANIED BY THE ESTABLISHMENT OF THE RETURN TRANSPORTATION ACCOUNT OF 7 MILLION BAHT SO THAT, IN REAL TERMS, THAI SUPPORT CONTRIBUTIONS HAD BEEN REDUCED BY ONLY ONE MILLION BAHT SINCE 1960, WHICH IS IN NO WAY PROPORTIONAL TO THE REDUCTIONS IN LEVELS OF MILITARY ASSISTANCE AND STAFF. IN CONCLUSION, THE THAI REPS, QUOTING FROM ARTICLE VIII OF THE 1950 AGREEMENT, REMINDED US THAT THE ABILITY OF THE GOVERNMENT OF THAILAND TO PROVIDE SUCH CURRENCY WILL BE TAKEN INTO ACCOUNT WHEN DETERMINING THE AMOUNT OF BAHT TO BE MADE AVAILABLE FOR ADMINISTRATIVE AND OPERATING EXPENDITURES OF THE MILITARY ASSISTANCE PROGRAM . THAI SAID THEY HAVE ALWAYS MET THEIR COMMITMENTS IN PROVIDING ADEQUATE SUPPORT FOR JUSMAG AND

SAID THEY WOULD CONTINUE TO PROVIDE BOTH AIK AND THE 7 MILLION BAHT DRAWING ACCOUNT. HOWEVER, BECAUSE OF PRESSING DEFENSE NEEDS AND BUDGET LIMITATIONS THEY SAID THEY FEEL THE CONTRIBUTED CURRENCY REQUIREMENT SHOULD BE ELIMINATED, INCLUDING THE 6 MILLION BAHT DUE FROM FY 1976.

5. COMMENT. RTG NEGOTIATORS HAVE A STRONG CASE FOR REQUESTING ELIMINATION OF THE CONTRIBUTED CURRENCY ELEMENT. DURING THE PERIOD 1968-72 MASF LEVELS RANGED FROM DOLS 84 TO 99 MILLION ANNUALLY AND AS RECENTLY AS 1973 MAP AMOUNTED TO DOLS 43 MILLION. IN FY 1972 OVER 300 MILITARY PERSONNEL WERE ATTACHED TO JUSMAGTHAI. THE RTG WAS CORRECT IN NOTING THAT, DESPITE THE REDUCTION IN CONTRIBUTED CURRENCY FROM 16 MILLION BAHT TO 8 MILLION BAHT ANNUALLY
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IN 1960, THE ESTABLISHMENT OF THE RETURN TRANSPORTATION FUND IN THE AMOUNT OF 7 MILLION BAHT MEANT A NET REDUCTION OF ONLY 1 MILLION BAHT IN TERMS OF RTG CONTRIBUTIONS. IRONICALLY, AS MAP AND JUSMAGTHAI STAFFING LEVELS REACH THEIR LOWEST LEVELS IN OVER A DECADE, ACTUAL RTG SUPPORT EXPENDITURES ARE INCREASING. THIS IS BECAUSE THE 7 MILLION BAHT DRAWING ACCOUNT WAS LESS THAN HALF UTILIZED DURING

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C O N F I D E N T I A L SECTION 02 OF 02 BANGKOK 19641

CINCPAC ALSO FOR POLAD

THE YEARS WHEN JUSMAGTHAI RODE THE ADMINISTRATIVE COATTAILS OF MACTHAI. FORCED TO ASSUME ADMINISTRATIVE AND OPERATIONAL EXPENSES FORMERLY ABSORBED BY MACTHAI, JUSMAG IS NOW PROGRAMMING FULL USE OF THE 7 MILLION BAHT. EMBASSY/JUSMAG BELIEVE RTG CONTRIBUTION OF AIK AND A FULLY UTILIZED 7 MILLION BAHT DRAWING ACCOUNT CONSTITUTES A REASONABLE LEVEL OF SUPPORT IN VIEW OF THE MUCH REDUCED LEVEL OF GRANT ASSISTANCE AND STAFF AND THE ALREADY ANNOUNCED INTENTION TO TERMINATE GRANT MILITARY ASSISTANCE AFTER FY 78 AND TO REDUCE THE SIZE OF JUSMAG TO 40. IN PRACTICAL TERMS WE WOULD THEN BE RECEIVING AIK PLUS 7 MILLION BAHT AS COMPARED WITH AIK, 8 MILLION BAHT CONTRIBUTED CURRENCY AND APPROXIMATELY 2 TO 3 MILLION BAHT FROM THE 7 MILLION BAHT RETURN TRANSPORTATION ACCOUNT (I.E. AIK PLUS 10-11 MILLION BAHT) IN RECENT YEARS. IN THIS CONTEXT THE ACTUAL REDUCTION AMOUNTS TO 3-4 MILLION BAHT, WHICH APPROXIMATES THE REDUCTION IN CONTRIBUTED CURRENCY LEVEL AUTHORIZED BY REFTEL.

6. RECOMMENDATION. IN AUGUST 29 MEETING WE DID NOT MENTION PRECISE LEVELS OF CONTRIBUTED CURRENCY AUTHORIZED BY DEPT BUT ONLY THAT WE WERE AGREEABLE TO A REDUCTION. CONFIDENTIAL

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MISSION POSITION IS THAT THAI REQUEST FOR ELIMINATION OF CONTRIBUTED CURRENCY ELEMENT IS REASONABLE AND WOULD NOT RPT NOT AFFECT THE OPERATIONS OF JUSMAG. ADDITIONALLY, REDUCTION IN AIK OR THE DRAWING ACCOUNT, NOW THAT IT WILL BE FULLY UTILIZED, WOULD HAVE THE SAME EFFECT AS REDUCING THE CONTRIBUTED CURRENCY, I.E. WOULD HAVE TO BE MADE UP FROM BAHT PURCHASED BY APPROPRIATED FUNDS. WE THEREFORE SUGGEST THAT THE POSITION AUTHORIZED IN REFTEL BE OUR INITIAL NEGOTIATING POSITION, THAT WE PROPOSED THE ARRANGEMENTS DESCRIBED REFTEL TO THE RTG AS OUR RESPONSE TO THEIR REQUEST. WE CAN OF COURSE, EXPECT THEM EITHER TO MAKE A COUNTER PROPOSAL OR STAND FAST. IF THEY MAKE A COUNTER-PROPOSAL, WE SHOULD BE AUTHORIZED TO ACCEPT IT AND NOT RPT NOT HOLD TO THE POSITION AUTHORIZED REFTEL. IF RTG INSISTS ON ELIMINATION OF CONTRIBUTED CURRENCY, WE SHOULD BE PREPARED TO ACQUIESCE. O'DONOHUE

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